

MAINLAND SOUTHEAST ASIA

- I. Situation in mainland Southeast Asia has appearance of relative calm but a close look at the area reveals many subsurface dangers and vulnerabilities from our viewpoint.
- II. Laos remains major area of concern despite the drop-off since last summer in attacks by Communist insurgents which led to UN investigation.
 - A. The Communist Pathet Lao insurgents, almost certainly aided and abetted by North Vietnam, are continuing to consolidate their forces and expand their influence.
 1. Numerous reports received of recruiting, training, supply buildup, propaganda and intimidation throughout country.
 2. Communists also effectively exploiting grievances against the government among the tribesmen who make up 50 percent of Laos' two million population.
 3. Despite government security sweeps, the Pathets have gained de facto control over extensive areas of the countryside. Pathets do not control all of the two northern provinces of Sam Neua and Phong Saly, as they did before the 1957 settlement with the government, but they now have pockets in all twelve provinces.
 4. Real security exists only in towns, is considerably less in adjacent villages, and is virtually nonexistent in most of the rest of the country.

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5. Moreover, strong Pathet pockets in southernmost Laotian provinces could foreshadow greater Communist subversive action against neighboring South Vietnam, Cambodia and Thailand.

B. Commies probably prefer to gain their ends in Laos through subversion, guerrilla warfare and legal means rather than by open aggression.

1. As an immediate objective, they want to bring about a weak neutralist government in Vientiane which would be susceptible to subversion and, eventually, domination.
2. They apparently pinning political hopes on their front organization--the Neo Lao Hak Zat (NLHZ)--which the government is permitting to stand in the parliamentary elections on 24 April despite the imprisonment of the party's top leaders on treason charges.
3. Should Commies become convinced, however, that the government will succeed in steps being taken to limit NLHZ electoral wins, they will probably boycott elections and attempt to disrupt them through resurgence guerrilla war.
 - a. Stage for this already been set by NLHZ complaints through Hanoi of the unfair and illegal electoral procedures adopted by the government.
 - b. Whatever course Commies take regarding elections, prospect is for long and difficult struggle between Commies and non-Commies for country and result highly uncertain.

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III. In South Vietnam there has been sharp upswing in Vietnamese Communist terrorism and subversion since last fall in what appears to be a stepped-up effort to undermine Saigon's control over rural areas.

- A. The number of Communist guerrillas in South Vietnam--stabilized at about 1500 for the past several years--reportedly been doubled in recent months by fresh cadres infiltrated from North Vietnam via Laos and Cambodia.
- B. At the same time, Communist tactics switched from scattered acts of banditry and village terrorism to bold attacks on government army patrols and isolated security posts by bands several hundred strong.
 - 1. Intimidation and subversion of villagers also been intensified--assassinations of local officials, which had been averaging 15 per month, have recently increased to over 30 per month. New terrorist acts against American personnel a possibility.
 - 2. Most troubled area is in southwestern delta provinces where Communist guerrillas flee across the virtually unguarded Cambodian frontier when too hard pressed by South Vietnamese security forces.
 - 3. Evolving pattern is disturbingly reminiscent of Vietnamese Communist tactics against the French in Indochina during period 1946-1954.
- C. Probable reasons behind upsurge Communist terrorism:

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1. Commie desire to increase tensions between Diem government and people; discredit the government and security forces; and establish control over broader rural areas.
2. Successful hiding of Hanoi's hand in recent "civil war" in Laos may have emboldened Commies to attempt a similar "popular resistance movement" in South Vietnam.

D. Growing disaffection with Saigon regime of rural population in southern delta provinces provides basis for extended Communist guerrilla operations.

IV. Cambodia, although free of Commie terrorism plaguing South Vietnam and Laos is key target of subversion.

A. Premier Sihanouk, feverishly pursuing a neutralist policy, opened "Pandora's Box" in 1956 when he established economic and political relations with Peiping and the Soviet Bloc.

1. Chinese Communists especially have made serious inroads in the cultural and propaganda fields in Cambodia.
2. Peiping's subversive activities are facilitated by presence of several hundred Chinese Communist representatives associated with a broad economic aid program and a large Chicom embassy.
3. Cambodia's 300,000 Overseas Chinese population, largely pro-KMT a few years ago, today is dominated by the Communists.

B. Commies seem to have long range hope that they can take over by riding on Sihanouk's coattails. Meanwhile, they are attempting to develop Cambodia as a springboard against South Vietnam, Laos and Thailand.

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1. Vietnamese Communists guerrillas see Cambodia as a transit area and staging ground for anti-government operations in South Vietnam, and more recently in southern Laos.
- C. Sihanouk's flirtations with the Sino-Soviet bloc has resulted in domestic dissension and hostility by South Vietnam and Thailand which continues to harm the West's position in Cambodia and benefits the Commies.
1. Sihanouk for the moment is more critical of Commie subversion, but his hand stayed from taking effective remedial actions by fear of Peiping and belief that the only safe policy to follow is neutrality; he cites the fighting in Laos as an example of problems that come from adopting too strong an anti-Communist stand.
 2. Sihanouk has fatalistic belief in inevitable Communist victory in the East-West struggle.
 3. Outlook is for continuing dominance of country by Sihanouk, continuing efforts by him to walk neutrality tightrope, and continuing weak and potentially dangerous situation.
- V. Even in Thailand, despite outward calm and stability, sources of potential trouble exist.
- A. Continuing, and perhaps increasing dissatisfaction with American aid levels to Thailand, excessive delays in military aid deliveries, and competing PL 480 rice sales to Asian countries might incline Thai leaders toward making some kind of gesture to Sino-Soviet bloc out of belief it might jolt us into being more generous and flexible.

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- B. As Thailand's nascent economic development program begins to take shape, the Thais might also become increasingly tempted to accept Soviet offers of low interest aid loans.
- C. Internally, political stability is highly dependent on uncertain health of Marshal Sarit.
 - 1. Although Sarit is holding up surprisingly well, he has a serious liver condition and could have a relapse at any time.

VI. In Burma, the voluntary stepping down this April of the interim military regime under General Ne Win in favor of a government headed by former premier U Nu as a result of last month's elections could be helpful to the Commies.

- A. Both leaders are anti-Communist but U Nu not as inflexible in this respect as Ne Win.
 - 1. Nu's concept of neutrality may lead him to redress Burma's pro-Western economic commitments, made under Ne Win's tenure, by commensurate dealings with the Communist bloc.
 - 2. Nu is fond of flattery and vulnerable to bloc blandishments.
 - 3. Absence of a serious parliamentary opposition may make the government cocky with a possible relapse to inept and corrupt administration, susceptible to same Communist exploitation which led Ne Win to take over in 1958.
- B. Nu's belief in allegations of US aid to the opposition party in recent elections may complicate future American dealings with him.

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C. Finally, Nu's landslide victory will make it more difficult

for Ne Win to exercise his intended restraining influence on the new government.

VII. Singapore The internally self-governing State of Singapore is maintaining reasonably stable conditions at present but is faced with increasingly serious economic and political problems.

- A. Moderate leftists control central committee of ruling People's Action Party, but extremists are deeply entrenched in party's branch organizations. Since release from jail last June, these key pro-Commie leaders have markedly increased their influence in party and among Chinese, who make up more than 75 percent of the population. They are believed to control virtually all organized "blue collar" unions.
- B. Growing economic difficulties likely provide increasing opportunities for pro-Commies.
1. Major unemployment problem compounded by extremely high population growth--4 percent a year.
 2. Entrepot trade declining and significant industrial development unlikely due to restricted market and relatively high cost of labor.

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VIII. Federation of Malaya most prosperous and stable nation in Southeast Asia at present.

A. This optimistic picture darkened, however, by serious racial problem which expected in time to create major difficulties for country.

1. Only 50 percent population is Malay; 37 percent are Chinese; and about 11 percent Indian. Malays presently dominate the government.
2. Two major races virtual nothing in common--different religion, language, economic interests, and historical heritage.
3. Underlying racial animosity strong enough so that open conflict could be sparked at any time by trivial incident. There would be grave danger racial conflict should Malaya be subjected any serious economic or political crisis.

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